ENERGY (FUNCTION 270)

This function includes credit programs for energy research and development, conservation, and production. While the Department of Energy administers most of these programs, the Department of Agriculture, the Tennessee Valley Authority, and the Synthetic Fuels Corporation also have programs of energy credit assistance.

The Administration's 1982 budget anticipates major increases in energy loan guarantees for 1981, followed by a decrease in 1982. Table 21 summarizes the gross levels of new energy credit activity for 1980-1982. New programs of loan guarantees for synthetic fuels facilities account for the substantial increase in 1981 over 1980. Overall, new commitments for loan guarantees are estimated to increase 78 percent in 1981 over the actual level, and drop 19 percent in 1982.

Direct lending in the energy function is expected to decline in 1981 and 1982. The decline results from major shifts planned in Rural Electrification Administration activity.

The following sections highlight activity of the major energy credit programs for fiscal years 1980 through 1982.

Synthetic Fuels Corporation and Energy Security Reserve

The Synthetic Fuels Corporation was established by the Energy Security Act (Public Law 96-294) as part of an effort to reduce U.S. dependence on imported oil. The goal of the corporation is to assist private industry to finance the development of two million barrels of oil substitutes by 1992. To achieve this goal, the Corporation will provide the private sector with financial assistance in the form of direct loans, loan guarantees, price guarantees, and purchase agreements. The legislation creating the Corporation provides that the Corporation's budget not be included in the budget totals. It is financed, however, by payments from the on-budget Energy Security Reserve in the Department of the Treasury.

New loan guarantee commitments are estimated at $2 billion for 1982, one-third above the 1981 estimate of $1.5 billion (see Table 22). No repayments or defaults are projected through 1982.

When the Energy Security Reserve was established, 1981 authority was made available from the reserve to the Department of Energy to issue loan guarantees to carry out preliminary synthetic fuel development activities. In 1981 $4.5 billion in loan guarantees are estimated under this authority.

TABLE 21. ENERGY PROGRAMS--SUMMARY OF CREDIT ACTIVITY (By fiscal year, in millions of dollars)

	New Direct Loan Obligations			New Loan Guarantee Commitments		
Program	1980	1981 a/	1982 a/	1980	1981 a/	1982 a/
Synthetic Fuels Corporation	---	---	---	---	1,500	2,000
Energy Security Reserve	---	---	---	---	4,500	---
Rural Electrification Administration	1,175	913	700	5,688	5,095	5,245
Tennessee Valley Authority	2	---	---	2,436	3,437	4,502
Biomass and Geothermal Energy Development	---	20	---	79	45	---
Other Energy Programs	5	2	2	6	---	---
Total	1,182	935	702	8,209	14,577	11,747

a/ Administration estimates.

TABLE 22. SYNTHETIC FUELS AND ENERGY SECURITY RESERVE LOAN GUARANTEES (By fiscal year, in millions of dollars)

		Administration Estimates	
Credit Activity	1980 Actual	1981	1982
New Loan Guarantee Commitments Exempt from Limitation			
Synthetic Fuels Corporation	---	1,500	2,000
Energy Security Reserve	---	4,500	---
Total new commitments	---	6,000	2,000
Guaranteed Loans Outstanding	---	6,000	8,000

Rural Electrification Administration

The Rural Electrification Administration (REA) of the Agriculture Department conducts two capital investment programs: rural electrification, to provide electric service to farms and other rural establishments; and the rural telephone program, to furnish and improve telephone service in rural areas. Both programs are operated through the Rural Electrification and Telephone Revolving Fund (RETRF), which the Congress placed off-budget to exempt its activities from outlay or expenditure ceilings.

REA makes both direct and guaranteed loans through the RETRF. The direct loan program provides direct loans not to exceed 35 years in term, at either 2 or 5 percent interest rates, in accordance with criteria specified in law. REA also guarantees loans made by FFB and other qualified lenders at rates agreed upon by borrower and lender. FFB rates are more advantageous to the borrower, since they are only one-eighth of one percent above the Treasury's borrowing rate. Through the use of loan sales and FFB origination of REA guaranteed loans, all of the RETRF's activity is financed by the FFB. Because REA's loans have a grace period before repayment begins, there are no repayments to FFB scheduled during 1981 or 1982.

In the last few years, a range for direct loan limitations have been included in appropriation acts to allow for changed economic circumstances in rural areas during the fiscal year. This practice is continued in the 1982 budget, which recommends a limit of $900 million on direct loan obligations although expected new obligations are only $700 million. For loan guarantees the limit requested, $6,755 million, is $1,510 million above the expected commitment level.

The Administration is proposing major cutbacks in REA activity, including discontinuing further REA use of the FFB as a direct lender for guaranteed loans, raising interest rates on certain loans from 2 percent to 5 percent and ending loans to telephone companies. To achieve the reduction in 1981, the Administration is requesting that the previously enacted direct loan ceiling of $1.4 billion be reduced to $1.2 billion. The FFB changes can be made without Congressional action. For 1982 the Administration is proposing increasing the limitation on new loan commitments loan program. Table 23 presents the 1980-1982 activity of the RETRF.

Tennessee Valley Authority

The Tennessee Valley Authority (TVA) is a government-owned corporation created to oversee the unified development of a river basin comprising parts of seven states. The Seven States Energy Corporation is a TVA subsidiary that makes loans and loan guarantees for nuclear energy

TABLE 23. RURAL ELECTRIFICATION LOAN AND LOAN GUARANTEE ACTIVITY (By fiscal year, in millions of dollars)

Credit Activity	1980 Actual	Administration Estimates 1981	1982
New Direct Loan Obligations			
Limitation enacted	1,250	1,425	---
Limitation proposed	---	1,238	900
Obligations subject to limitation	1,175	913	700
New Loan Guarantee Commitments			
Limitation enacted	---	---	---
Limitation proposed	---	---	6,755
Commitments subject to limitation	---	---	5,245
Commitments exempt from limitation	5,687	5,095	---
FFB Lending a/			
New FFB loans	3,188	4,736	4,600
Repayments	-3	---	---
Outstanding FFB holdings	10,336	15,072	19,672

a/ Includes loan asset sales and loan guarantee originations.

projects in the seven states. To finance its lending, the Corporation borrows from the FFB with TVA guaranteeing the indebtedness. As a result of this activity TVA is guarantor of new FFB obligations estimated at $4.5 billion for 1982. TVA also makes direct loans itself, estimated at $68 million for 1982. Because of a dispute about the exact nature of TVA's activities, these loan obligations have not been included in the credit budget. TVAs activities are shown in Table 24.

Other Energy Credit Programs

Biomass Energy Development. The Energy Security Act (Public Law 96-294) authorized direct loans and loan guarantees to aid commercial production of alcohol and other fuels from crops and crop waste, timber, animal and timber waste, and other forms of biomass and urban waste. The Secretaries of Agriculture and Energy may guarantee loans up to 90 percent

TABLE 24. TENNESSEE VALLEY AUTHORITY LOANS AND LOAN GUARANTEES (By fiscal year, in millions of dollars)

	1980 Actual	Administration Estimates 1981	Administration Estimates 1982
New Direct Loan Obligations Exempt from Limitation	2	---	---
Direct Loans Outstanding	3	3	3
New Loan Guarantee Commitments Exempt from Limitation	2,436	3,437	4,502
Guarantees of FFB Loans			
New FFB loans	2,436	3,437	4,502
Repayments	-1,751	-3,160	-4,245
Outstanding FFB holdings	685	962	1,219

of the cost of construction as estimated on the date of the guarantee or commitment and 60 percent of cost increases thereafter. The authority to guarantee loans expires on September 30, 1984.

The Administration, in its March budget revisions, is proposing to reduce direct loan obligations for 1981 to $20 million, down from $100 million planned in the January budget. It proposes to eliminate the program entirely in 1982.

Geothermal Resources Development Fund. The Geothermal Energy, Research, Development, and Demonstration Act of 1974, as amended, provides that the Secretary of Energy may guarantee loans up to $100 million each for the commercial development of geothermal energy. No limits on aggregate program activity were specified in the enabling legislation. Limitations on outstanding indebtedness were included in the appropriations acts for fiscal years 1977 to 1981; the 1981 Energy, Water and Related Agencies Appropriation Act set a ceiling of $500 million on the outstanding indebtedness of the fund.

The original budget estimates for 1980 and 1981 assumed rapid growth of geothermal loan guarantees, far in excess of actual program growth to date. At the end of 1979, only $14.3 million in loans had been guaranteed. The Administration is proposing to terminate this program in 1982.

Bonneville Power Administration. The budget included estimates for two direct loan pilot programs to be conducted by the Bonneville Power Administration. These programs would provide direct loans to customers for installation, home insulation, and solar energy water heaters. The estimates assumed $2.4 million in new direct loan obligations for 1981 and $2.4 million--the proposed limitation--for 1982.

Wind Energy Systems. The Wind Energy Systems Act of 1980 (Public Law 96-345) allows the Secretary of Energy to make direct loans for up to 75 percent of the total purchase and installation costs of wind energy systems. The Administration is proposing to terminate this program in 1982.

Other energy credit programs are summarized in Table 25.

TABLE 25. OTHER ENERGY CREDIT PROGRAMS (By fiscal year, in millions of dollars)

	New Direct Loan Obligations			New Loan Guarantee Commitments		
Program	1980	1981 a/	1982 a/	1980	1981 a/	1982 a/
Biomass Energy Development	---	20.0	---	---	---	---
Goethermal Resources Devleopment	---	---	---	78.5	45.0	---
Bonneville Power Administration Loans	b/	2.4	2.4	---	---	---
Wind Energy Loan Program	4.7	---	---	---	---	---
Total	4.7	22.4	2.4	78.5	45.0	---

a/ Administration estimates.

b/ Less than $50,000.

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NATURAL RESOURCES AND ENVIRONMENT (FUNCTION 300)

This function contains only one credit program: the direct loan program of the Interior Department's Water and Power Resources Services (formerly the Bureau of Reclamation). The Service makes loans to irrigation districts or other public agencies under the Distribution Systems Loan Act (43 U.S.C. 421a-h) and the Small Reclamation Projects Act of 1956, (43 U.S.C. 422a-k) to enable them to construct irrigation systems or municipal and industrial water supply systems. Budget authority for loans under both acts must be specifically provided in appropriations. For fiscal year 1982 the Administration is proposing a limitation on gross obligations of $24.4 million. Table 26 summarizes all credit activity in function 300.

TABLE 26. WATER AND POWER LOAN PROGRAM (By fiscal year, in millions of dollars)

Credit Activity	1980 Actual	Administration Estimates 1981	Administration Estimates 1982
New Direct Loan Obligations			
Limitation enacted	---	38.0	---
Limitation proposed	---	38.0	24.4
Obligations subject to limitation	---	25.1	24.4
Obligations exempt from limitation	12.5	---	---

AGRICULTURE (FUNCTION 350)

Credit assistance for agriculture consists of loans and loan guarantees of the Farmers Home Administration's Agricultural Credit Insurance Fund (ACIF) and the Commodity Credit Corporation (CCC), both in the Department of Agriculture. Table 27 summarizes new direct loan obligations and new loan guarantee commitments by the ACIF and the CCC in fiscal years 1980-1982.

TABLE 27. AGRICULTURE--SUMMARY OF CREDIT ACTIVITY (By fiscal year, in millions of dollars)

	New Direct Loan Obligations			New Loan Guarantee Commitments		
Program	1980	1981 a/	1982 a/	1980	1981 a/	1982 a/
Agricultural Credit Insurance Fund	7,528	8,721	4,358	5,420	7,456	1,597
Commodity Credit Corporation	4,947	3,571	4,520	744	1,947	2,000
Total	12,475	12,292	8,878	6,164	9,403	3,597

a/ Administration estimates.

Agricultural Credit Insurance Fund

Through the ACIF, the Farmers Home Administration (FmHA) makes a wide variety of direct loans to farmers, ranchers, and others engaged in agricultural activities. The principal programs of the ACIF are loans for farm ownership, farm operations, and disaster relief. FmHA also conducts a small program of guarantees of private lending for these same purposes.

Terms for direct loans made through the ACIF are more favorable than those for commercial loans. Farm ownership loans and other property or resource development loans have long-term maturities, usually 35 to 40 years, and bear interest at the ACIF's cost of borrowing from the Treasury plus a small administrative fee. Low-income borrowers receive 25 percent of all loans extended. These loans are made at special interest rates of 6 percent or less. Farm operating loans have a shorter term, usually 7 to 10 years, but use the same cost-of-money basis for setting interest rates. Again 25 percent of the loans are reserved for low-income farmers, who receive a subsidized interest rate of 6 percent. Disaster loans are also made for farm ownership and operating purposes and have similar maturities. Loans on losses carry a 5 percent interest rate. Guaranteed loans by the ACIF have the same maturities as direct loans; the interest rate is negotiated between the borrower and the lender.

In the March budget revisions the Administration is proposing to reduce direct lending in these programs below the amount specified in the January budget. For 1981 the Administration is proposing a rescission of $89 million, which would reduce the new direct loan limitation for the ACIF to $1,705 million. The largest portion of the reduction, $80 million, is planned for the farm ownership loan program. The Administration will direct the Farmers Home Administration to focus its activities exclusively on those who cannot obtain credit in private lending markets.

In the January budget, ACIF activity for 1982 was expected to fall from its 1981 level to $5.7 billion, based on smaller estimates of disaster loan requirements. In the March revisions the Administration proposes to reduce new direct loan obligations by another $1.3 billion to $4.4 billion. 1/ This proposed reduction will primarily affect the farm ownership loan program, and assumes further decreases in disaster loans.

The ACIF is a revolving fund. Sales of direct loans held by the ACIF provide funds for further loans, subject to limitations set by the appropriation language. Groups of loans are packaged as a pool, and certificates of beneficial ownership (CBOs), or loan assets, in that pool are sold. Most CBOs are sold with a guarantee to the off-budget Federal Financing Bank. Because receipts from these loan asset sales are considered to be repayments on the loans in the pool, they are counted as negative outlays and thus offset new lending. Selling loan assets to the FFB, therefore, has the effect of transferring budget outlays from the ACIF to the off-budget FFB.

In the credit program control system, the Administration has chosen to propose limitations only on the new direct loans and loan guarantees by the ACIF to the public. Sales of loans assets and guarantees of these sales, are considered to be a means of financing. Therefore, limitations are not proposed on the new direct loan obligations or on the new loan guarantee

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1/ The credit budget totals in the March Budget Revisions included a reduction of $2,650 million in direct loan obligations for the ACIF for fiscal year 1982. The correct figure is $1,300 million. CBO has adjusted the credit budget totals accordingly.

commitments associated with the loan asset sales. Of the $4.4 billion in new direct loan obligations for 1982, $0.9 billion is for repurchases of loan assets sold in previous years. Of the $1.6 billion in new loan guarantee commitments proposed, all but $181 million are guarantees of loan asset sales. Table 28 summarizes the direct loan and loan guarantee activities for the ACIF for fiscal years 1980-1982.

TABLE 28. AGRICULTURAL CREDIT INSURANCE FUND LOANS AND LOAN GUARANTEES (By fiscal year, in millions of dollars)

Credit Activity	1980 Actual	Administration Estimates 1981	Administration Estimates 1982
New Direct Loan Obligations			
Limitation enacted	1,744	1,794	---
Limitation proposed	---	1,705	2,126
Obligations subject to limitation	1,325	1,705	2,126
Obligations exempt from limitation			
Repurchase of loan assets	1,330	1,266	882
Disaster loans	4,873	5,750	1,350
Total obligations	7,528	8,721	4,358
New Loan Guarantee Commitments			
Limitation enacted	81	81	---
Limitation proposed	---	81	181
Commitments subject to limitation	81	81	181
Commitments exempt from limitation a/	5,339	7,375	1,416
Total commitments	5,420	7,456	1,597
Sale of Loan Assets to FFB			
New sales to FFB	5,257	7,045	1,166
Repurchases	-1,275	-1,025	-735
Outstanding FFB holdings	16,567	22,587	23,018

a/ Guarantees of loan asset sales to the FFB and the public.

Commodity Credit Corporation

The Commodity Credit Corporation (CCC) conducts three direct loan and two loan guarantee programs for farm income stabilization and support. Table 29 summarizes the activities of these programs for fiscal years 1980-1982.

TABLE 29. COMMODITY CREDIT CORPORATION LOANS (By fiscal year, in millions of dollars)

Credit Activity	1980 Actual	Administration Estimates 1981	Administration Estimates 1982
New Direct Loan Obligations			
Export loans			
Limitation enacted	2,200	2,200	---
Obligations subject to limitation	719	18	---
Commodity loans			
Obligations exempt from limitation	3,866	3,368	4,470
Storage facility loans			
Obligations exempt from limitation	363	185	50
Total obligations	4,947	3,571	4,520
New Loan Guarantee Commitments			
Exempt from Limitation			
Agricultural Fuels	5	38	---
Export Guarantees	740	1,913	2,000
Total commitments	745	1,951	2,000

The CCC's principal form of credit assistance is the nonrecourse commodity loan. The CCC makes direct loans to producers with the crop or commodity serving as collateral. On the date of maturity, an average of seven months later, the producer may pay off the loan or deliver the commodity to the CCC. Commodity loans act to set a floor under market prices because they are based on a given support price. If the market price is below this support price, the farmer does not repay the loan but instead delivers his crop to the CCC. If the market price is above the support price, he pays back the loan and sells the crop himself. For 1982 the Administration estimates that new direct loan obligations for commodity loans will equal $4.5 billion, an increase of nearly 33 percent from the 1981 estimate.

The Administration is proposing legislation to charge interest on all loans equal to the Treasury's cost of borrowing, and to eliminate the interest waiver for the first year on reserve loans held by farmers. The purpose of this legislation is to reduce costs to the government of the price support programs.

The CCC also conducts an export credit sales program to maximize exports of agricultural commodities and products. For fiscal year 1982 the Administration proposes no new loan obligations for short- and medium-term export loans. Rather, it wishes to place greater reliance upon loan guarantees for financing commercial export sales of agricultural commodities. This policy was initiated during the previous Administration after new direct loan obligations fell short of the enacted limitation for fiscal year 1980. During that year only $0.7 billion of $2.2 billion was used for new direct loan obligations, resulting in an unused balance of $1.5 billion. Since that time, new direct loan obligations have declined and will be zero in 1982.

The third direct loan program conducted by the CCC provides financing for the purchase, construction, or remodeling of commodity storage facilities. The loans have 10-year terms and bear interest at a rate based on the CCC's borrowing rate from the Treasury. The Administration is proposing to phase out the storage facility loan program by 1986 because of a surfeit of storage capacity. For fiscal year 1981 the Administration proposes to reduce new direct loan obligations $180 million below the 1980 level, and for fiscal year 1982 new obligations will drop another $135 million.

The Rural Development Act of 1972 directed the CCC to guarantee loans of up to $15 million each for not more than four pilot projects for the production of industrial hydrocarbon and alcohol fuels from agricultural commodities and forestry products. During 1980 one project received final approval with a loan guarantee of $4.6 million. Final approval of three tentatively approved projects, with new loan guarantee commitments totaling $33.7 million, is expected in 1981.

As the direct loan export program is phased out, the CCC's noncommercial risk assurance program will take over its activities. Under this program the CCC guarantees U.S. exporters against default due to noncommercial risks on payments owed to them under deferred payment sales contracts. This program primarily is intended to protect exporters from defaults caused by political instability. For 1982 the Administration estimates that new loan guarantee commitments for the risk assurance program will equal $2 billion.

COMMERCE AND HOUSING CREDIT (FUNCTION 370)

Credit programs in this function are designed to promote the flow of funds into housing and commerce. These programs include the mortgage insurance and purchase activities of the Department of Housing and Urban Development (HUD), the rural housing activities of the Department of Agriculture (USDA), the business loan programs of the Small Business Administration (SBA), the National Consumer Cooperative Bank, and other activities.

In the Administration's proposed budget for 1982, new direct loan obligations would increase approximately 7 percent from the 1981 level, while new loan guarantee commitments would fall by 3 percent, after a large increase from 1980 to 1981. Table 30 summarizes the new direct loan obligations and loan guarantee commitments in this function for 1980-1982.

TABLE 30. COMMERCE AND HOUSING PROGRAMS--SUMMARY OF CREDIT ACTIVITY (By fiscal year, in billions of dollars)

	New Direct Loan Obligations			New Loan Guarantee Commitments		
Program	1980	1981 a/	1982 a/	1980	1981 a/	1982 a/
FHA	0.3	0.3	0.3	29.1	34.2	35.0
GNMA	2.2	1.8	3.6	63.2	64.0	64.2
Housing for the Elderly or Handicapped	0.9	0.9	0.9	---	---	---
Rural Housing Credit	6.8	6.4	4.7	4.8	7.2	3.7
National Credit Union Administration	0.3	2.1	3.7	0.1	0.1	b/
Chrysler Guarantees	---	---	---	0.8	0.7	---
Small Business Assistance	0.8	0.7	0.8	4.8	4.9	4.4
Deposit Insurance Programs	0.9	1.1	0.2	---	---	---
Other	b/	0.1	b/	0.1	0.1	0.1
Total	12.2	13.3	14.2	102.9	111.1	107.5

a/ Administration estimates.

b/ Less than $50 million.

Federal Housing Administration

The first major loan guarantee program of the federal government was home mortgage insurance, begun during the Depression. Today home mortgage insurance continues to be the largest of federal credit activities. The mortgage insurance programs of the Federal Housing Administration (FHA) are administered through the FHA Fund, which is actually a collection of insurance funds. The Mutual Mortgage Insurance Fund provides mortgage insurance for single-family homes. Premiums are determined on an actuarial basis and are more than sufficient to cover expected losses. The Cooperative Management Housing Insurance Fund provides mortgage insurance for management-type cooperatives. The General Insurance Fund provides specialized mortgage insurance for property improvement loans and loans for cooperatives, condominiums, group practice medical facilities, nonprofit hospitals, and others. The Special Risk Insurance Fund provides mortgage insurance to high-risk borrowers who would otherwise not be eligible for mortgage insurance.

According to the latest estimates FHA guarantee commitments will rise 17 percent from 1980 to 1981, and will be held at near the 1981 level ($35 billion) in 1982. These commitment levels are substantially lower than the levels requested in the January budget. The January budget had requested $4.8 billion more in 1981 and $9.0 million more in 1982. The reductions in FHA proposed in the March revision account for by far the largest portion of the overall reduction in the credit budget. In the past FHA guarantees have essentially been constrained only by demand from eligible borrowers. For 1981, for example, the January budget requested a supplemental increase in the enacted limitation in the face of unexpectedly harsh housing market conditions. The proposed March revisions would require for the first time that the FHA take steps to select from among eligible borrowers or to alter its activity in some other way in order to meet the limitation.

For 1982 the Administration is proposing a limitation of $76 million on new direct loan obligations. This limitation applies only to direct loans for temporary mortgage assistance payments. Exempt from limitation are new direct loan obligations used to cover a portion of defaults against FHA-insured mortgages. In cases of default, the FHA pays off the holder of the guaranteed mortgage, and the mortgage becomes a direct loan for which the FHA seeks repayment. The FHA does not convert all defaults into direct loans. Instead, it pays off some defaulted mortgages with grants. For 1982 the Administration estimates that total defaults on guaranteed mortgages will equal $593 million. Of that amount $202 million will be converted into direct loans, and $391 million will be written off as cash losses. Table 31 details the activity of the FHA fund for 1980-1982.

TABLE 31. FEDERAL HOUSING ADMINISTRATION LOANS AND LOAN GUARANTEES (By fiscal year, in millions of dollars)

Credit Activity	1980 Actual	Administration Estimates 1981	1982
New Direct Loan Obligations			
Limitation enacted	---	14	---
Limitation proposed	---	14	76
Obligations subject to limitation	---	14	76
Obligations exempt from limitation a/	301	268	202
Total obligations	301	282	278
New Loan Guarantee Commitments			
Limitation enacted	---	34,155	---
Limitation proposed	---	34,155	35,000
Commitments subject to limitation	---	34,155	35,000
Commitments exempt from limitation	29,106	---	---

a/ Disbursements for loan guarantee default claims.

Government National Mortgage Association

Major federal support for the mortgage market is provided by the activities of the Government National Mortgage Association (GNMA). Tables 32 and 33 summarize GNMA activities for 1980-1982. GNMA guarantees securities issued by mortgage bankers and other financial institutions backed by pools of privately held, federally-insured mortgages. The GNMA-guaranteed securities are attractive to investors who have not traditionally invested in mortgages. Through these guarantees GNMA is able to draw more funds into housing credit. For 1981 the Administration is proposing a supplemental increase in the enacted limitation from $53 billion to $64 billion. This is $8 billion less than the January supplemental request. The requested level for 1982 is almost the same as that for 1981.

GNMA makes commitments at the request of mortgage lenders to guarantee their securities at a later date. Requests for GNMA commitments are expected to exceed the limitation in both 1981 and 1982, and GNMA will have to take administrative action to determine how to select from among eligible borrowers and lenders. Because banks subsequently sell far fewer securities than they receive commitments on, it is possible that commitments could be reduced without changing the volume of securities actually guaranteed.

TABLE 32. GOVERNMENT NATIONAL MORTGAGE ASSOCIATION--TANDEM PLAN DIRECT LOANS, (By fiscal year, in millions of dollars)

Credit Activity	1980 Actual	Administration Estimates 1981	Administration Estimates 1982
Special Assistance Functions			
Limitation enacted	2,154	1,800	---
Limitation proposed	---	1,800	3,600
Obligations subject to limitation	2,154	1,800	3,600
Emergency Mortgage Purchase Assistance			
Obligations exempt from limitation	41	24	5

GNMA also purchases mortgages to support the flow of housing credit. Through the tandem plan or its special assistance functions fund, GNMA purchases below-market interest rate FHA and VA loans from lenders, paying the lenders full market rates. It also returns to the lender a premium that functions as a subsidy for making the low rate loan. GNMA then sells these loans itself at market rates to other institutional investors. For 1982 the Administration is requesting a limitation of $3.6 billion for new direct loan obligations. This is twice the 1981 limitation, and $3.3 billion higher than the January budget estimate. The January estimate assumed enactment of legislation to convert the tandem plan from loans to equivalent grants. Withdrawal of the proposal in the March revisions raises the 1982 estimate to its current level.

As part of the tandem plan, GNMA also has authority to purchase conventional, FHA, and VA mortgages on an emergency basis whenever the HUD Secretary determines, with Congressional approval, that housing credit needs to be supplemented. The last such authority was granted in September 1976. New commitment activity since that time has been limited to increases in existing contracts. The Administration does not expect any new commitments to be made through 1982, although amendments to existing contracts were estimated to total $5 million in 1982.

TABLE 33. GOVERNMENT NATIONAL MORTGAGE ASSOCIATION--GUARANTEES OF MORTGAGE-BACKED SECURITIES (By fiscal year, in millions of dollars)

Credit Activity	1980 Actual	Administration Estimates 1981	Administration Estimates 1982
New Direct Loan Obligations Exempt from Limitation	5	8	9
Net Direct Loan Outlays	2	4	4
Direct Loans Outstanding	6	10	14
New Loan Guarantee Commitments			
Limitation enacted	---	53,000	---
Limitation proposed	---	64,000	64,208
Commitments subject to limitation	---	64,000	64,208
Commitments exempt from limitation	63,200	---	---

Housing for the Elderly or Handicapped

Section 202 of the Housing Act of 1959, as amended, provides for a program of direct loans to nonprofit sponsors, consumer cooperatives, and certain public agencies to construct rental housing for elderly and handicapped persons. The loans have a maximum term of 40 years and bear interest at Treasury's borrowing rate, plus an allowance to cover administrative costs and probable losses.

For 1982, the Administration is proposing a limitation of $850.8 million for new direct loan obligations. This is a reduction of 5 percent from the limitation proposed in 1981. The Administration estimates that new direct loan obligations of $850.8 million would provide financing for approximately 17,200 units of housing. It should be noted that, although there is a high level of loan activity in this program, there are few repayments in 1980-1982. Table 34 summarizes direct lending from the fund for fiscal years 1980-1982.

TABLE 34. LOANS FOR HOUSING FOR THE ELDERLY OR HANDICAPPED (By fiscal year, in millions of dollars)

Credit Activity	1980 Actual	Administration Estimates 1981	Administration Estimates 1982
New Direct Loan Obligations			
Limitation enacted	---	920	---
Limitation proposed	---	920	851
Obligations subject to limitation	---	896	851
Obligations exempt from limitation	933	---	---
Net Direct Loan Outlays	782	829	823
Direct Loans Outstanding	1,975	2,804	3,628

Rural Housing Credit

The Farmers Home Administration (FmHA) of USDA conducts two programs in function 370 that provide rural housing credit. FmHA's Rural Housing Insurance Fund (RHIF) makes direct (and some guaranteed) loans for rural housing purchases, rental and cooperative housing projects, farm labor housing projects, and preparation of rural housing sites. The authority for these loans is provided by Title V of the Housing Act of 1949, as amended.

Direct loans by the RHIF are largely financed through the sale of certificates of beneficial ownership (loan assets) to the Federal Financing Bank. Through these transactions the balance of loans outstanding in the on-budget RHIF is kept to a minimum but there is a corresponding rise in off-budget FFB loan balances. In its credit program control system, the Administration is proposing limitations on RHIF's new direct loan and loan guarantee transactions with the public but not on the fund's transactions with the FFB. Almost all the loan guarantee activity in this fund consists of guarantees of the loan assets as they are sold to FFB, rather than of guarantees of private rural housing loans.

The Administration is planning to hold the activities of RHIF in 1981 and 1982 to approximately the 1980 level. The moderate-income homeownership loans program will be reduced, while the other programs will continue to grow. The Administration is directing FmHA to target its lending to those who cannot obtain credit elsewhere. To achieve the restraint planned for 1981, the Administration is requesting that the already enacted limitation of $4,102 million be reduced by $316 million. Total obligations for direct loans decrease during 1981 and 1982 because of decreasing repurchases of loan assets from FFB.

The second FmHA program is much smaller than RHIF. Through the Self-Help Housing Land Development Program, authorized by the Housing and Urban Development Act of 1968 (Public Law 90-448), the FmHA makes loans to public or private nonprofit organizations to finance the acquisition and development of sites for homes to be constructed by self-help. For 1982, the Administration is proposing a limitation of $2 million for new direct loan obligations. Table 35 summarizes RHIF and the Self-Help Housing Land Development program activities for 1980-1982.

National Credit Union Administration Credit Activities

Credit Union Central Liquidity Facility. Public Law 95-630 established the Central Liquidity Facility of the National Credit Union Administration. The facility, which began operations October 1, 1979, provides direct loans to member credit unions to meet seasonal and emergency needs. The facility's funds come from stock subscriptions paid by participating credit unions and through borrowing from the FFB.

For 1982 the Administration is proposing a limitation of $4.4 billion on new direct loan obligations. This limitation exceeds the estimate for new obligations to be made during 1982 by $750 million. For 1981 the limitation exceeded the estimate by $2.2 billion. The Administration contends that a limitation that exceeds anticipated obligations is needed in order to provide for emergency liquidity needs.

Credit Union Share Insurance Fund. This insurance fund, authorized by Public Law 91-468, is used to insure member deposits in federal credit unions. Each insured credit union is required to pay a premium of one-twelfth of one percent of the total amount of its member accounts. These premiums are expected to make the insurance fund self-supporting. The Share Insurance fund is exempt from limitation, under the Administration's criteria, because it is an insurance activity, the needs of which are not easily anticipated. Table 36 summarizes the activities of the Central Liquidity Facility and the Credit Union Share Fund for 1980-1982.